

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

In the Matter of the Request of)
HAWAII SUPERFERRY, INC.)
For Approval on Short Notice.)
_____)

ORDER NO. 23951

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DIV. OF CONSUMER ADVOCACY
DEPT. OF COMMERCE AND
CONSUMER AFFAIRS
STATE OF HAWAII

Filed December 31, 2007
At 11 o'clock A.M.

for Stan Carl Dz
Chief Clerk of the Commission

BEFORE THE PUBLIC UTILITIES COMMISSION
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In the Matter of the Request of)
HAWAII SUPERFERRY, INC.)
For Approval on Short Notice.)
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Order No. 23951

ORDER

By this Order, the commission approves on short notice HAWAII SUPERFERRY, INC.'s ("HSF") proposed tariff changes to its Sailing Schedule, filed on December 17, 2007, as amended on December 28, 2007.

I.

Short Notice Filing

HSF's Schedule of Service, as set forth in Appendix A-1 of its Tariff No. 1A, provides:

<u>Departs</u>	<u>Time</u>	<u>Arrives</u>	<u>Time</u>
Honolulu	6:30 AM	Kahului	10:15 AM
Kahului	11:15 AM	Honolulu	2:15 PM
Honolulu	3:15 PM	Nawiliwili	6:15 PM
Nawiliwili	7:15 PM	Honolulu	10:15 PM

Tariff No. 1A, Appendix A-1.

On December 13, 2007, HSF re-launched its service with one daily voyage between Honolulu and Kahului.

By letter dated December 17, 2007, as amended on December 28, 2007, HSF requests the commission's approval on short notice to amend its Sailing Schedule. Specifically, HSF seeks to implement a second daily voyage between Honolulu and Kahului, commencing in January 2007, with the actual start date of the second voyage commencing approximately fourteen days following the commission's approval of HSF's request on short notice (if approved).

HSF makes its request pursuant to Hawaii Revised Statutes § 271G-17(b) and Hawaii Administrative Rules §§ 6-65-5, 6-65-30, and 6-65-41. In seeking the commission's approval on short notice, HSF seeks to advertise and sell tickets for the second voyage as soon as possible.

HSF's Proposed Modified Sailing Schedule reads as follows:

Ferry One

Through January __, 2008

Departs	Time	Arrives	Time	Days
Honolulu	6:30 AM	Kahului	10:15 AM	Daily
Kahului	11:15 AM	Honolulu	2:15 PM	Daily

From January __, 2008

Departs	Time	Arrives	Time	Days
Honolulu	6:30 AM	Kahului	10:15 AM	Daily
Kahului	11:15 AM	Honolulu	2:15 PAM	Daily
Honolulu	3:15 PM	Kahului	7:00 PM	Exclude Saturday
Kahului	8:00 PM	Honolulu	11:00 PM	Exclude Saturday

HSF's letter, dated December 28, 2007, Appendix A-2.

In support of its Proposed Modified Sailing Schedule, HSF explains:

Second Daily Voyage

HSF's business plan and financial projections require the use of the Alakai [vessel] on two voyages per day. HSF needs to start with the second daily voyage as soon as possible. HSF has participated in community outreach efforts on Kauai, as has the U.S. Coast Guard ("USCG"), the State of Hawaii Department of Transportation ("HDOT"), the State administration and legislative leadership, and other community leaders. However, the safety and security of the public, Hawaii Superferry's passengers and employees, and the vessel at Nawiliwili Harbor remain a serious concern. For this reason, HSF has decided to defer the commencement of service between Oahu and Kauai at this time. The USCG and the HDOT support this decision. HSF will continue to meet with the community of Kauai, including Kauai legislators and county officials.

In HSF's Application for a Certificate of Public Convenience and Necessity filed July 22, 2004 and in its Tariff No. 1A filed April 11, 2007, HSF stated that it would conduct a second voyage to Maui when the second vessel was placed into service. (See Application, Exhibit 6, Page 21, and Tariff No. 1A, Page 31.) Because of the continued suspension of Oahu-Kauai service, HSF intends to accelerate the plan to operate a second voyage between Oahu and Maui, commencing service on December 27, 2007, or as soon thereafter as the Commission will approve.

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. HSF must conduct two voyages per day with the Alakai [vessel] in order to be financially viable. Because of the continuing concerns regarding service to Nawiliwili Harbor, HSF has made the decision to accelerate its plans for a second daily voyage between Oahu and Maui. This is in the best interest of consumers, providing additional capacity for travel between Oahu and Maui and offering an additional time of day options. HSF intends to continue its community efforts and work with USCG, HDOT and other agencies to improve security and safety plans, in an effort to start up service to Kauai again.

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In order to ensure its financial success and avoid substantial economic harm, HSF must begin conducting two voyages per day with the Alakai [vessel] as soon as possible, and HSF would also like to have as many voyages as possible available during the holiday season and school vacations. In addition to the urgent need to have a second daily voyage, HSF is still faced with an emergency situation caused by the litigation, protests, and resulting delays. Allowing a schedule of two voyages per day is essential. The extreme financial hardship to HSF increases each day that it is unable to conduct the second voyage.

Based on the foregoing, HSF submits that an emergency situation exists, and the modified schedule including the second daily voyage between Honolulu and Kahului be approved

HSF's letter, dated December 17, 2007, at 2-6 (footnotes and text therein omitted).

By supplemental letter dated December 21, 2007, HSF, in support of its request, also asserts:

1. HSF is experiencing bookings at numbers that are much lower than projected. Bookings are averaging approximately 150 passengers per voyage, while the planned passenger load is about 410 passengers per voyage.

2. HSF has high fixed expenses, including ownership costs of its vessel, the annual minimum guarantee to the State of Hawaii, and staffing, "and as such its business plan requires two round trips per day per vessel to be a viable concern. With just one trip per day, the fixed expenses represent nearly 56% of a voyage's cost. Adding the second round trip per day drops the burden to approximately 39% while giving the company twice the opportunity to generate revenue and expose people to the product. HSF needs to be able to generate additional revenue with the

second voyage to contribute to payment of the current level of fixed expenses. If the second voyage per day cannot be implemented imminently, then HSF will continue to carry substantial losses as a result of the level of fixed expenses."¹

3. The twice-a-day service will be particularly attractive to commercial customers, and "also creates the potential for new day trips, allowing Oahu customers to ferry to Maui, spend the day and then ferry back."²

With the concurrence of the USCG and the HDOT, HSF has made a business decision to defer the commencement of service between Honolulu and Nawiliwili until further notice. Due to the continued, voluntary suspension of this service by HSF, HSF seeks to accelerate its plan to begin operating a second voyage between Honolulu and Kahului as soon as possible, in place of the suspended Honolulu-Nawiliwili service. HSF represents that, consistent with its business plan and financial projections, it must begin conducting two voyages per day with the Alakai vessel in order to be financially viable and avoid substantial economic harm. In connection thereto, HSF seeks to advertise and sell tickets for its future voyages as soon as possible, in order to generate a positive revenue stream for its business, including, at minimum, meeting its fixed expenses.

Based on HSF's representations, the commission finds good cause to grant HSF's request for approval on short notice.

¹HSF's letter, dated December 21, 2007, at 2.

²HSF's letter, dated December 21, 2007, at 3.

II.

Orders

THE COMMISSION ORDERS:

1. HSF's proposed tariff changes to its Sailing Schedule, filed on December 17, 2007, as amended on December 28, 2007, are approved on short notice, effective from the date of this Order.

2. Within three business days of this Order, HSF shall file its updated Sailing Schedule (Appendix A-2), with the appropriate issued and effective dates, and the applicable sailing dates noted.

DONE at Honolulu, Hawaii DEC 31 2007.

PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

By Carlito P. Caliboso
Carlito P. Caliboso, Chairman

By: John E. Cole
John E. Cole, Commissioner

APPROVED AS TO FORM:

By: Leslie H. Kondo
Leslie H. Kondo, Commissioner

for Michael Azama
Commission Counsel

HSF Short Notice.

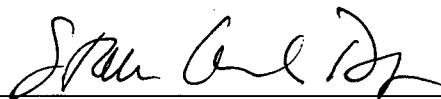
CERTIFICATE OF SERVICE

I hereby certify that I have this date served a copy of the foregoing Order No. 23951 upon the following parties, by causing a copy hereof to be mailed, postage prepaid, and properly addressed to each such party.

CATHERINE P. AWAKUNI
EXECUTIVE DIRECTOR
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS
DIVISION OF CONSUMER ADVOCACY
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Counsel for HAWAII SUPERFERRY, INC.



for
Karen Higashi

DATED: DEC 31 2007